



City of Wheatland

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CITY COUNCIL MEETING STAFF REPORT

Date: June 9, 2010

Agenda Item:

Subject: Election Consolidation and Sales Tax Ballot Measure

Prepared by: Stephen L. Wright, City Manager

Recommendation: Council adopt the attached resolution requesting the Board of Supervisors to consolidate the general municipal election with the statewide general election and include a local one-half cent sales tax measure for Wheatland in that election.

Discussion: Every municipal election year the Council adopts a resolution similar to the attached resolution that requests the County to consolidate our election with the statewide election process in order to reduce costs. In addition, this year the resolution includes a request to add a local measure to establish a one-half cent general purpose sales tax on the Wheatland ballot.

Budget woes

Wheatland has not been immune from the economic crisis that has impacted the rest of the region and the State. Over the last two years revenues have dropped, the State has confiscated local dollars and most importantly, property valuations have plummeted. Property tax revenues (the City's largest single income source) in 2008/09 totaled \$352,200. Next year they are projected to be only \$190,000. The Council and the City employees have reacted to these reductions by making reductions of their own. The City has "downsized" reducing the employee workforce, eliminating or reducing non-essential activities, and employees have had wages frozen, benefits reduced and furloughs introduced to the extent that now service reductions to local citizens can be felt. In the coming year an additional 10% reduction (to the \$190,000 level) is projected in property valuations and all other revenue sources remain flat. The State is again facing a multi-billion dollar budget deficit and will again be looking to local government revenue sources to bolster its coffers.

For Wheatland, to make matters worse, the primary use of general fund revenues goes for law enforcement. The only park maintenance worker position that is funded through the general fund remains vacant. Of our 7 authorized police officer positions, one remains vacant and police officer furloughs have been implemented. Further reductions in general fund revenues mean further reductions in the police department. Citizen services and officer safety issues abound if additional reductions occur. Statewide criticism of cities providing excessive PERS retirement benefits for public employees does not exist in Wheatland. This City has never been in the financial position to afford PERS so that benefit is not available to our employees.

Sales tax measure

The proposed ballot measure would add an additional ½ cent sales tax to local taxable purchases. The City currently receives 1 cent of the current total 8.25 cents. That 1 cent generates approximately \$100,000 locally, so an additional ½ cent sales tax would generate approximately \$50,000. This increase does not overcome the significant reduction in general fund revenues seen through the property value reductions, but at this point it would allow the City to “stop the bleeding” through a further reduction of services.

Sales taxes are imposed on all persons who purchase goods in Wheatland. Those travelling through the City who may stop at our local gas stations, restaurants or other businesses also pay the tax so it is not just local citizens who would have to carry the burden. The City has looked at other possible revenue sources such as a Utility Users Tax (a tax on water and sewer bills) and a direct parcel charge, but both of those place the charge directly on utility users or property owners and do not spread the burden like a sales tax does.

The proposed measure includes a 10 year “sunset” clause. Many cities have found it important to include such a clause in order to give voters a comfort level that they will be able to reevaluate how their city has managed those funds over the preceding term. Staff has seen both shorter (5 year) and longer (20 year) terms.

In this instance the Council would not be imposing the tax on the community, but instead would be leaving the decision up to the voters to decide. Action on the resolution as written would place the matter on the November ballot. Further more drastic cuts in services could be deferred until that time. Before the election the Council would be presented with the actual ordinance imposing the added sales tax. The ordinance would be conditionally adopted so that should the voters approve the measure it would be able to be implemented quickly through the State Board of Equalization.

Alternatives: As noted above, the Council could place other measures on the ballot such as the utility or parcel taxes. The Council could modify the amount of the tax (i.e. ¼ cent or 1/8 cent) or modify the term of the sunset clause. The Council could also simply choose to not place the matter before the voters and make further service cuts to balance the budget. Deletion of Section 2 in the attached resolution while still adopting the resolution would make that happen.

Fiscal Impact: There would be a minor cost of placing the matter on the upcoming ballot. If the measure passes an additional \$50,000 in annual revenues can be anticipated.